



## **PHOENIX RISING!**

Unitarian Universalist Church of Berkeley  
Treasurer's Report for UUCB's Board of Trustees

Respectfully Submitted: Lenore Ralston

May 15, 2022

**CONGREGATIONAL MEETING**

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Dear Friends,

As I write this report, UUCB is financially healthy. We have made huge strides since 2018 when, for a time, despite Herculean efforts, we lost our way. We still have some challenges, which I will outline below, but we are blessed: In particular with wonderful, hard-working, imaginative people and talented leadership.

David Roberts memorialized 2018 as our annus Extremis (something like Queen Elizabeth's annus Horribilis). May this year be our annus Extraordinaires!

## **ASSETS: Counting our Blessings!**

Some of our most precious assets are our staff, our wonderfully generous Congregants, our children, our lay leadership, our ministerial leadership, our progressive programs, and our beautiful campuses - both in Kensington and at Freestone. We have pulled together and given extremely generously of both our time and treasure. I could call out many of you, but I am certain I would forget someone.

In addition to our living assets:

- We are mortgage-free.
- We have more than 1.5 million in our Endowment Funds.
- We have solar panels.
- We recently invested close to 1 million dollars into our Kensington campus to take care of deferred maintenance and capital improvements.
- The diseased trees (Larry's trees) have been removed and there are plans for replanting.
- We have an amazing music program which has nurtured us throughout COVID.
- We have grown our UUCB Programs:
  1. Black Lives Matter.
  2. Chalice-Circles.
  3. Climate Change.
  4. The LFDC.
  5. Personal Theology.
  6. Social Justice Program.
  7. Support of homeless Youth.
  8. Taken on paying reparations to the Ohlone People.
  9. Widening the Circle of Concern.
  10. WOWs.

To care for our church home, we still have \$233,000 set aside of the \$758,000 Congregationally-approved money from the General Endowment Earnings, and there is \$50,270 in the Endowment Maintenance fund ready to be spent on the next maintenance project on our list!

## **Areas of Concern:**

We also still have areas of concern - e.g. continuing to sustain our pledges, increasing membership, hiring new staff to round out our support team, and continuing to tend and care for our church home.

To care for our staff, we are offering a budget with staff Cost of Living Adjustments (COLAs) and some reclassifications where more complicated levels of work performance are involved, particularly with regard to the technical broadcasting UUCB has engaged in as a result of COVID.

To care for our financial system, this year -- with the audit and financial review behind us and many of the most critical church repairs completed or underway -- your finance team plans to tackle our data dictionaries and cross-walks to strengthen the interplay between our two current financial databases (Breeze and Fund EZ) as an essential part of preparing for our migration to Quick Books.

And with regard to pledges? After much digging and hard work, Anne Greenwood reported that the 2021-2022 actual paid pledge total is 169 pledges for \$437,828.90 as of 4/25/2022. We still have May and June to go; we expect the final pledge amount for 2021-2022 to climb! Note that we budgeted for

\$382,500, so we have outdone ourselves by \$55,328.90. Further, I personally know that this number will go higher as I have now completed my own pledge for 2021-2022 (not realizing I was still "short"!)

### **Celebrating our Progress:**

We have a replenished campus, and we are COVID-safe. In addition to all the unexpected campus catastrophes that Tess, for example, walked into in 2019 -- furnace quitting, gas main breaking, staff turnover -- let it not be lost that we have a wholly NEW staff that supports each other and us that have been hired and led by Tess and Tess brought in \$200,000 plus in COVID grants which saw us through 2020-2022.

Some of us are tired? Yet so joyful to be with one another!

### **Assumptions**

Now more than ever people need a nurturing community of shared compassionate and liberal values.

As I present my next set of analyses the following are at the root of my assumptions:

#### **Contextual BIG assumptions:**

- Cost-of-living will continue to go up.
- Market will continue to be volatile, and we will lose some invested money. But the market will recover.
- More people may seek a community with liberal values.
- Our programs, board, leadership across the Congregation are strong.
- Our facility has made some significant strides in being refurbished.
- The cottage is now generating money.

#### **Places Where we Can Get More Money**

- More rentals.
- More pledge money
- Increased OUTREACH
- Fund-raising
- Bequests

#### **Loss of Revenue:**

Everyone is vulnerable at this time of change... Younger people are trying to find balance in their lives. And many are rethinking their jobs and living locations.

At the same time, we have an "older" population, many of whom have steady incomes through retirement and investment plans.

Our Congregational income, as individuals, is diversified. This gives us increased stability.

Our Endowments will likely decrease. We will have to wait and see how this goes.

## FINANCIAL SECURITY

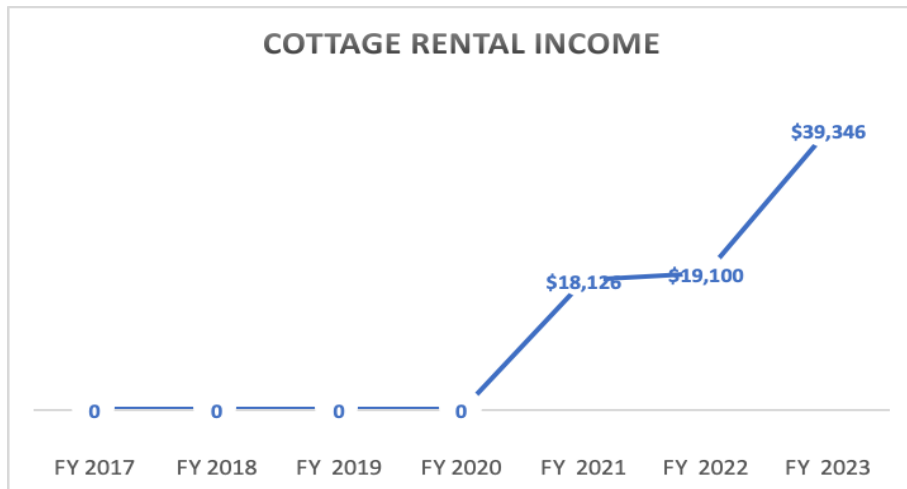
### Revenues

#### Rentals have been a key Contributor:

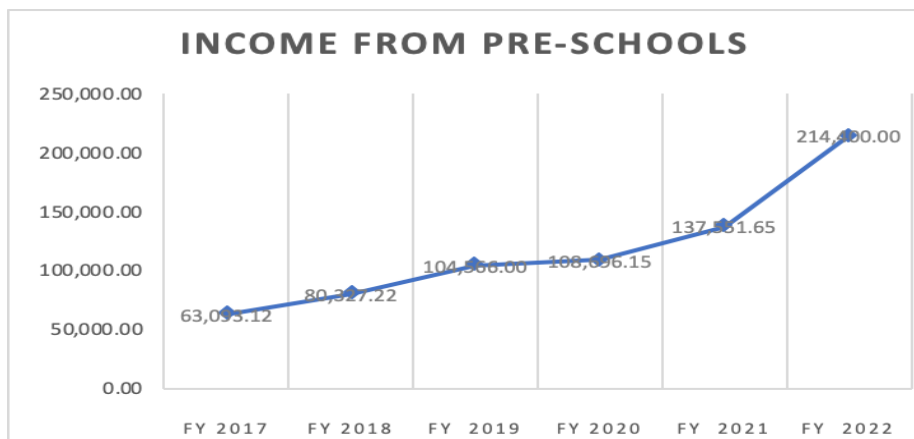
January 2018 is a touchstone reference date. In my mind, this is the date when we became seriously concerned about cash flow as a Congregation.

I have been able to do a few trend reports on key indicators which have informed my optimism.

Our cottage is a brand-new resource, only recently fully coming online!



Our pre-school is now rented at market value with an annual 3% increase baked in.



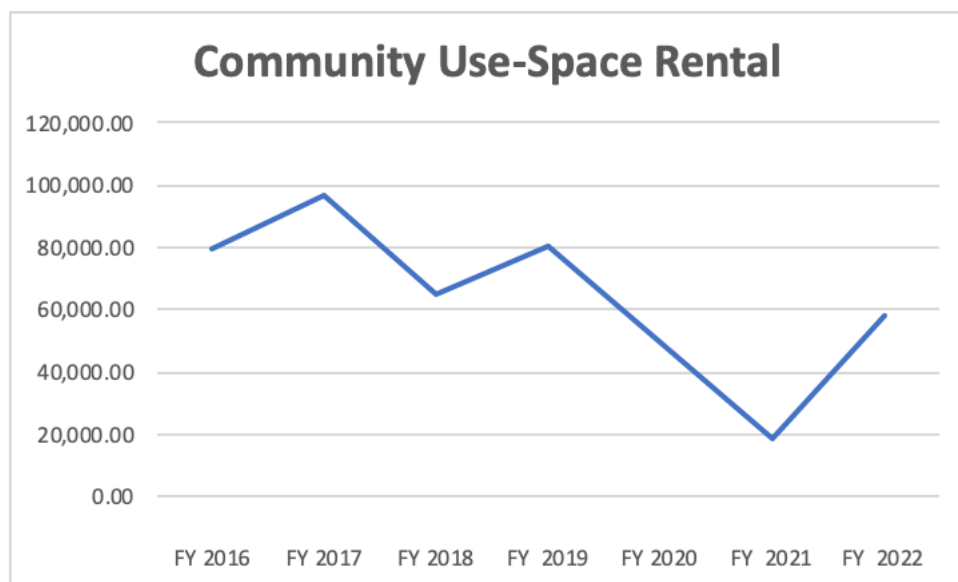
Both of these rentals are steady and predictable; and both will continue to sustain a good part of our annual expenses.

### Community Space Rentals:

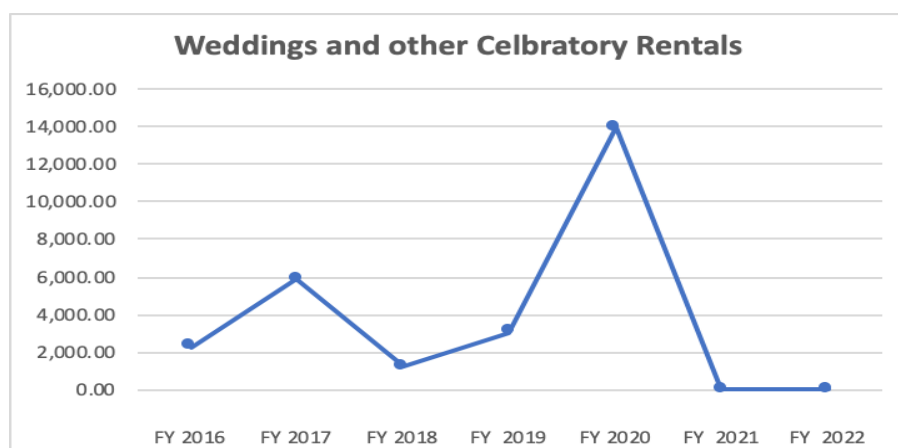
Our community space rentals also have started to recover in the wake of our church being closed:

We have:

- Quilters.
- Trackers.
- Kensington Symphony.
- Contra Costa Chorale.
- Tongan Church.
- Berkeley Broadway singers.
- Cal Berkeley (various groups)



We have room to expand when it comes to other short-term rentals -- what I would call one-offs -- Weddings, Bar and Bat-Mitzvahs, Anniversary and Birthday Parties, Culture-based parties, etc. With our campus having been closed for two years, we expect there to be a surplus of interested parties!



Other sources of income which are less predictable than our major rentals include:

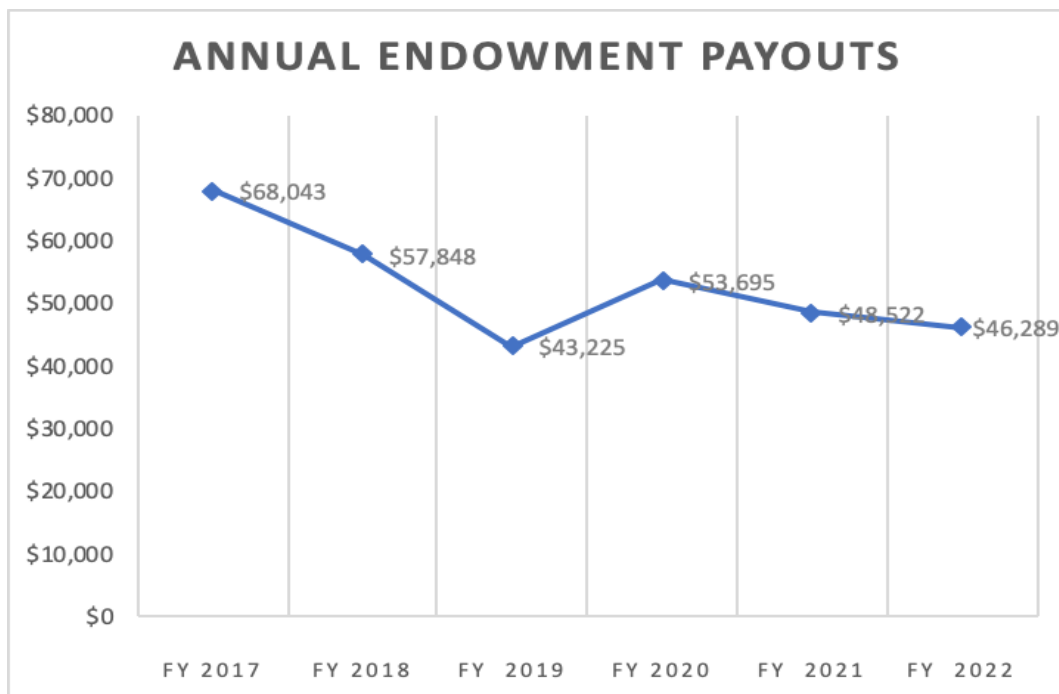
- Annual payout from our Endowments.
- Bequests.
- Pledges.

**Money in hand** - we have pockets of money which we will always try and keep filled to avoid future cash flow problems:

- Mechanics checking (\$549,254.54) includes COPE money = ~403,000
- Mechanics savings (\$287,606.85) - TRNAs can get up to current in April
- Ameritrade (\$75,663.34)
- E-Trade (\$52,852.30)
- Anticipated Sept. 2023 Payouts from Ann Lane Endowment (sum currently at \$285K)
- Possible reroute of Endowment from Ladd Griffith to Gen Operating Fund - one year suspension.
- Give current staff pay raises and reclassifications as recommended by our Executive Director.

### Annual Endowment Payouts

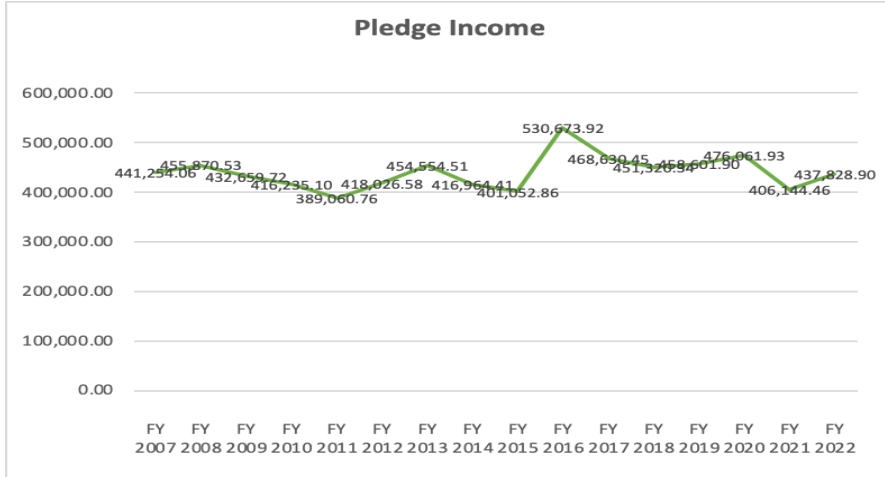
Our Endowment payouts have declined over the past four years but considering that we have drawn \$525,000 to take care of deferred maintenance and \$150,000 for cash flow, we are doing well. In 2018 when our Board concluded that we needed to tap into our General Endowment earnings, the Board and the Building and Grounds Committee carefully drew money out on an as-needed basis. This meant that the money remaining with the UUCEF continued to grow and took advantage of the stock boom in 2020 and 2021.





Our pledges are also looking good.

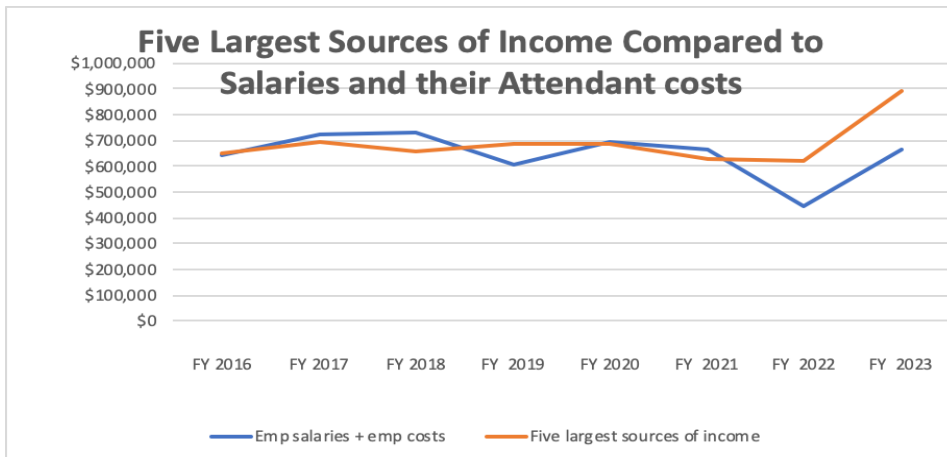
**Pledges:**



One of the ways I knew UUCB was becoming ever-more financially healthy was by looking at the major trends in revenue compared to expenditures.

I looked at key data - secure, predictable rental income compared to our largest ongoing church expenditure, staff salaries.

While our salary-costs are going up with the cost of health insurance, payroll taxes, trying to ensure our staff are not too badly hit by inflation, note that our "big five" income streams (see below) have been going up faster!



**Our Five Largest Sources of Revenue are:**

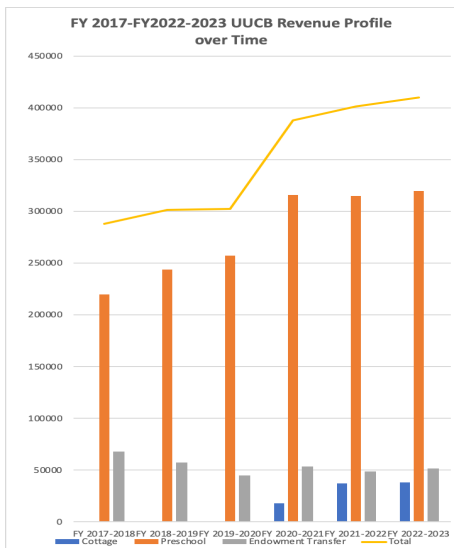
- Pledge Income
- Campus Rental-All Schools
- Cottage Rental
- Community Use-Space Rental
- Endowment Transfer

**What goes into the Salaries line  
Combined into line A in Chart below)**

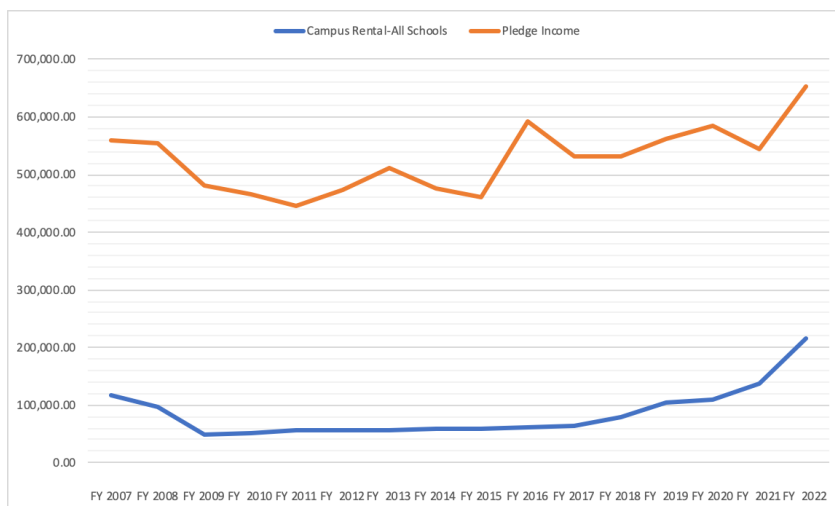
Expenses	Year Ending Jun 2021
Salary and Wages	507,061.00
SECA	7,614.42
Payroll Taxes	29,347.60
Moving Expenses	5,330.00
Employee Benefits-Health	30,302.51
Employee Benefits-Life/Disability	1,884.74
Employee Benefits-Retirement	40,870.60
Accrued Vacation	
Workers Compensation	0
Insurance	25,487.60
Worker's Comp Insurance	7,904.00
Professional development	8,211.39
<b>Total</b>	<b>664,013.86</b>

This was my strategy for getting an overview of how we doing.

	FY 2018	FY 2019	FY 2020	FY 2021
<b>A.. Employee Salaries &amp; attendant costs</b>	\$729,734	\$604,052	\$691,361	\$664,014
<b>B. Combined Five Largest Sources of Revenue (see above)</b>	\$654,684	\$686,866	\$688,154	\$629,132
<b>TOTAL Revenue all Sources</b>	<b>\$1,217,542</b>	<b>\$1,137,837</b>	<b>\$1,516,375</b>	<b>\$1,438,237</b>



The takeaway is that during this upcoming "bridging year", a time spanning the re-opening of our church and a return to whatever a new normal might look like, our rentals will work like a large buoy, ever-growing in spite of expected declines in Endowment. I am not expecting any declines in pledges; in fact, I am blown away by how generous everyone has been. Fewer people have given more.



**Bequests:**

What you see below is a rough attempt at tracking how our Congregation has "given" to future generations who will attend UUCB in coming years. Breaking the time periods into decades is arbitrary. And only money/bequests that have come through Endowments have been considered. There have been other gifts, under \$25,000, which have gone directly into Operations per UUCB policy, or given for a particular repair (our rafter tailings and cottage) or a special gift like the new access ramp to our Chancel and new automatic HVAC controls.

Despite some of the "impurities" in the data, as a big picture barometer of the amounts and timing of larger gifts, this graph isn't bad; I believe it is safe to say that we can count on future bequests.

Bolstering that observation are the number of people who made promises to Wake Now our Vision.

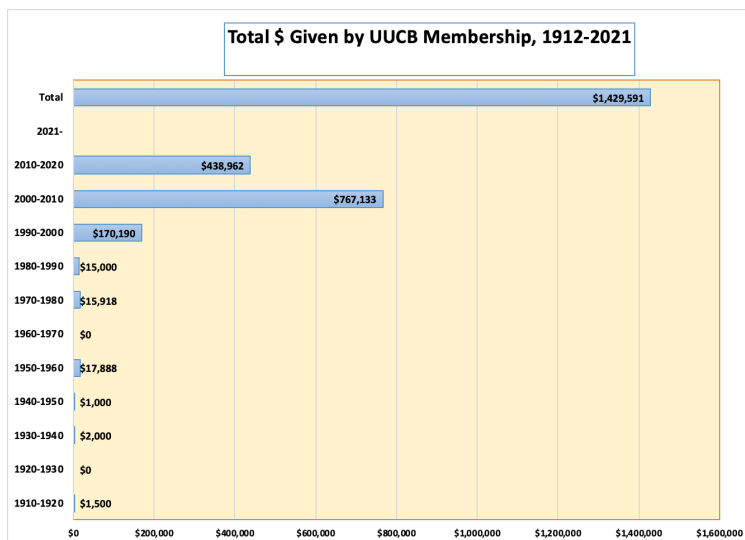
We know that:

“For those curious, the combined total of legacy gift intentions benefiting the UU Church of Berkeley submitted to the Wake Now Our Vision Campaign is \$2,570,886. Well done!”

(cf. letter from Rev. Laura Randall, December 20, 2018, and email dated 2/18/2019.)

By making these gifts through wills, trusts, and other legacy planning tools, we gained 17 new members to our Maybeck Society, or a ~40% increase in Maybeck membership.

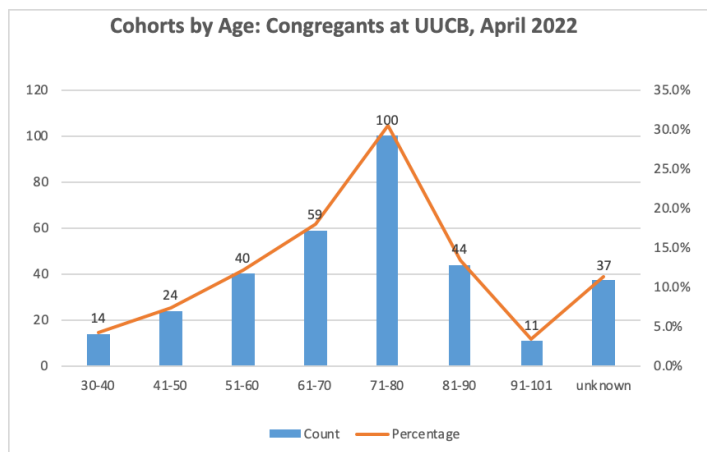
This is just a reminder of other possible resources. The above are "promises" and may be changed. But they were made in good faith!



### Memberships and Pledges

We know that increasing our membership is very important. New membership is not just important for sustaining our Congregation fiscally, but new members fuel our mission - bring fresh insight and fresh energy to our programs and our leadership!

Now that we are open, and our campus is fresh and refurbished, we are challenged to buck the national trend among churches whose membership is declining.



Data compiled by Lonnie Mosely

Our total number of Congregants as of this writing is 329.

In the last 2 years we signed up 20 new members! Many were attracted to our Congregation through Chalice Circles that were conducted on Zoom. And from our online Sunday programs and coffee hours!

We are not wishing for people to pass... I, myself, am one of the big chunks of 100 members in their 70s! But it is interesting to note that close to half of our Congregation are 60-80 years of age. UUCB is written into my estate plans as I know it is for many others. The two graphs above give us additional snapshots into the future of our Beloved Community... I, like many, want to ensure a legacy of values - values that express our Covenant of Right Relations... values which will give our children hope and a beautiful place to keep on with righteous worldly work.

What is missing is how many members we have lost and who those people are. This is an area we need to reconfigure: Aileen Hohman and the other greeters would invite visitors to sign in and Alisa Sugden, our former front office administrator, tracked new members, members who slid away, deaths, and we used to have a category of "friends of the church." I was in the "Friends" category for three years as I worked my way through committing to join. I pledged throughout that time.

### **INFLATION:**

How will this affect us?

Goldman Sachs expects consumer prices to cool off to 4.6 percent by the end of this year and about 3 percent by the end of 2023. (<https://nationalinterest.org/blog/buzz/goldman-sachs-says-inflation-will-continue-through-2023-200919>)

According to UUCEF, our UUA Endowment managers, the following is roughly what we have to look forward to.

<b>Period Ending</b>	<b>Net Asset Value</b>
<b>3/31/2022</b>	<b>\$11.3877</b>
Last Month	0.1%
1 year	-0.5%
3 years	8.3%
Ending Market Value	264,181,983
<a href="#">Expanded Summary Table</a>	

I think this may be an underestimation of the decline in net value. However, the way I read this, I still do not think we will see a precipitous drop in revenue from our Endowment such as what happened in 2008.

We will see some economic expansion in the third quarter as a result of Biden's 3 trillion dollar infrastructure plan. (<https://smartasset.com/financial-advisor/biden-infrastructure-plan> )

The UUCEF is also actively seeking to curb the fund's exposure to Russian assets. (<https://uucef.org/2022/04/march-monthly-commentary-8/> )

We will grow our membership by 20 members a year instead of 10 (I just made that up - but why not?).

Separately, though, we must remember the importance of funding our mission and providing opportunities to enrich our community while reaching out to our neighbors. Now more than ever, nurturing a community of shared compassionate and liberal values is so needed in this world.

We also still owe 3 of our Congregants a total of ~\$50,000 as the bail-out related to cash flow loans made in September 2019. These notes come due in September 2023.

## PERSPECTIVE

My long-term perspective is informed by then-Treasurer Linda Laskowski's 2015 Annual Treasurer's Report. She gave a forecast predicting some serious consequences if UUCB didn't address some critical Congregational problems. We needed to boost pledges, bring in more memberships, and take care of our campus.

Later, when Reverend Greg Ward was with us, he asked lay leadership to step up. We did.

None of us could really have foreseen COVID and what effect it would have on us, personally, or as a community: positive and negative. And we couldn't have anticipated the shock of having Revs. Kristen and Christian abruptly leave us, or the good luck (and work of the interim search committee) to find Rev. Michelle.

Back to 2018, we were beset by questions:

- Were we in our "right" location to carry out our mission?
- What WAS our mission?
- Could we rebuild our trust in one another to a place where it was a "given"?
- Could we sort out our finances to a point where we were able to know, at any one time, what we had in the bank? Be able to take advantage of unanticipated opportunities, but also keep to within roughly ten percent of our Congregationally approved budget?

And none of us could have predicted the amount of talent and energy our new Executive Director and her team would bring to our community and campus. Or how much our Congregants and lay leadership would, collectively, put their shoulders to the wheel. In addition to having nine acres plus Freestone, 1.5 million in Endowment money, flexibility resulting from our rentals, we are blessed with a community of people who are now pulling in the same direction!

We decided that we ARE in our right location. We have recognized that where we are formerly belonged to the Ohlone people. We now honor the Ohlone with our opening recognition: *As we begin, we take this moment to acknowledge that this church occupies land in what was known as Huchiun, the unceded territory of the Chochoenyospeaking Ohlone people. As community and church members, we continue to benefit from the seizure and occupation of this land. We also want to affirm that this is not simply performative but is deeply felt and is a commitment toward action.*"

To help us hone our sense of Mission, several of our Congregants created a committee called "Widening the Circle" which is now a Beacon for UUCB.

Last? I am joined by your Executive Director, Tess O'Riva, and your Finance Committee - David Roberts, Linda Laskowski, Anne Greenwood, Jessica Rider, and Larry Nagel - in the invitation to ask questions! We are committed to an open and transparent process!

We are ready. Let's go!

Lenore

